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STATE OF ILLINOIS

Illinois Commerce Commission

TERRENCE L. BARNICH
COMMISSIONER

November 4, 1993

160 NORTH LA SALLE STREET
SUITE C-800
CHICAGO, ILLINOIS 60601-3104

Bill Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

RM-8356; In the Matter of a Petition
~~for a Rulemaking for the Reform of the~~
Interstate Access Charge Rules.

Dear Mr. Caton:

Attached are comments that I am submitting to be considered
as part of the record in the above captioned docket.

Sincerely,

A handwritten signature in cursive script, appearing to read "Terrence L. Barnich".

Terrence L. Barnich
Commissioner

TLB:ch
attachment

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TERRENCE L. BARNICH
COMMISSIONER

160 NORTH LA SALLE STREET
SUITE C-800
CHICAGO, ILLINOIS 60601-3104

November 3, 1993

Honorable James H. Quello
Chairman
Federal Communications Commission
Room 222
1919 M. Street, N.W.
Washington, D.C. 20554

RM-8356

Dear Chairman Quello:

On September 17, 1993, the United States Telephone Association (USTA) filed a petition with the Federal Communications Commission requesting that the Commission initiate a Notice of Proposed Rulemaking (NPRM) to amend its interstate access charge rules. In my capacity as one member of the Illinois Commerce Commission, which is the State agency authorized to regulate the prices, terms and conditions of the provision of local exchange telecommunications service, I urge the Commission to issue a NPRM on the topic of access rule reform.

The USTA maintains that comprehensive reform in the existing rules is necessary in order to reconcile the public interest goals generally embodied in access rules with the significant market changes that have occurred since the rules were adopted in 1983.

The reforms urged on the Commission by the USTA purport to facilitate the introduction of new services by eliminating burdensome regulatory requirements, tailor the degree of regulation to the level of competition present within a particular market area, and enhance universal service support mechanisms in a competitive environment. While I do not intend to endorse herein the USTA's specific reform proposals, as a state regulator, I do join those, like the USTA, who call for expeditious reform of the Commission's rules. To the extent there is consensus on access reform it is that reform is needed because the current rules frustrate innovation, obstruct competitive entry and misallocate telecommunications resources.

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As evidenced by the recent Bell Atlantic-TCI merger announcement, the marketplace is poised to overwhelm the conventional regulatory order. The USTA and others are correct to call for fundamental regulatory change. Maintenance of state and federal rules that are predicated upon a market environment that no longer exists will only tend to delay the emerging competitive communications market and needlessly segregate consumers from the benefits of competition.

As competition begins to emerge, regulators should be in the business of removing regulatory barriers to a fully competitive market and concentrate on constructing a transition that will allow competition to work as well as possible. There are a number of changes which are central to this transition, not least of which is access charge reform. While I believe there may be additional changes worthy of pursuit, the issues articulated in the USTA petition represent a solid start.

First, a streamlined regulatory process, almost without exception, serves the public interest. This is particularly so with the introduction of new service offerings. There is rarely any competitive justification for regulatory delay in providing new and innovative services. As new consumer demands become known, market participants must be able to meet this demand quickly; regulators should not attempt to second guess the needs of the marketplace. Therefore, USTA's proposal may help speed the introduction of new services by eliminating the time consuming process to obtain various waivers and accordingly, the Commission should consider, within the context of a broad rulemaking, the positive impacts of a streamlined regulatory service introduction process.

Second, the incumbent Local Exchange Carriers (LECs) ought to be granted additional pricing flexibility consistent with the degree of competition they face. LECs should be freed from any artificial regulatory pricing barriers that block their ability to meet customers' demands on similar terms as the competition. Flexibility, however, should be structured with an eye toward enhancing competition for the consumers' benefit without regard to the welfare of the providing firms. The Commission must determine, within the context of a broad rulemaking, the degree to which this pricing flexibility must take. The USTA suggests one set of measures in their proposal. Without agreeing or disagreeing with their proposed approach on this point, it is apparent that it must be resolved in this rulemaking, as it moves forward.

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Third, social subsidies should be restructured so that they are equitably imposed and distributed on the basis of need. In facing increasing competitive pressures, artificial price structures, reflecting a patchwork of subsidy flows, are no longer sustainable. To the extent subsidies exist and can be quantified, subsidy mechanisms ought to be structured and support funds distributed consistent with market based principles to alleviate true need. Within the Notice of Proposed Rulemaking, as petitioned by the USTA, the Commission should make the identification and quantification of previously hidden subsidies a priority.

The transition away from a regulated environment to a competitive marketplace for communications services must begin now. Artificial restrictions and barriers must be removed so that consumers will have more choices and receive the benefits of competition. For the reasons briefly stated herein, I urge the Commission to move forward aggressively with a Notice of Proposed Rulemaking on the reform of its interstate access charge rules.

Respectfully,



Terrence L. Barnich
Commissioner
Illinois Commerce Commission

TLB:rs

cc: Commissioner Andrew C. Barrett
Commissioner Ervin S. Duggan